Canadian Institute for International Peace and Security

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Factsheet 16

ECONOMIC SANCTIONS

Introduction

Economic sanctions are the withdrawal, or threat of withdrawal, of customary trade or financial relations.[1] Economic sanctions are imposed against a state by another state, group of states, or international organization. Sanctions in general are meant to put pressure on a state to change behaviour that is disapproved. The modern concept of multilateral economic sanctions is dated from the time of the League of Nations, the predecessor to the United Nations (UN). Economic sanctions were to be applied against any "Member of the League [which] resort[ed] to war" without first following the League's procedures for the peaceful settlement of disputes. The "severance of all trade or financial relations" was to take place immediately in such a case. The growth of international economic interdependence made sanctions a potentially powerful tool. States depend on international trade to improve economic growth and bring wealth to their people. It was thought that cutting this trade would pressure an offending state to change its behaviour.

The use of economic sanctions is also one of the powers of the United Nations. Under the UN Charter, the use of sanctions is an option for the Security Council in any situation determined by the Council to be a "threat to the peace, breach of the peace, or act of aggression...." In addition, the Security Council can decide that the application of sanctions will be legally mandatory for all UN members.Both the League of Nations and UN have applied economic sanctions. Sanctions, however, are sometimes also applied by individual states, by individual states in cooperation with their allies, and by multilateral organizations other than the UN.

The Purpose of Sanctions

Economic sanctions can serve several purposes and sometimes more than one at a time.

- Sanctions can be used against a state guilty of violating international law in the hopes of forcing it to cease its illegal behaviour.
- Economic sanctions alone are unlikely to convince a state to change a strongly-held policy. Nevertheless, it is argued there are some situations in which a state must be shown that its behaviour is unacceptable. This is true even if a change in policy cannot be forced. In such a case, sanctions express disapproval.
- The use of sanctions in one case can send a signal to other states that they too will be penalized for behaviour contrary to international norms. It is argued that the threat of sanctions can *deter* states from such behaviour.
- Sanctions have been used to encourage the overthrow of governments. By putting economic pressure on a country, it is hoped that its people, or factions within the government or military will become discontented and will rise against the target government and overthrow it.
- Sometimes sanctions primarily serve to satisfy the domestic political demands of the state applying them. When there are cries to '*do something*' in response to a situation caused by another government, but there is little leverage available, a government might apply sanctions. This creates some sense of action, even if sanctions have little real impact on the target state.

Types of Economic Sanctions

There are two types of sanctions which can be applied against a state: universal and selective. Universal sanctions seek to cut *all* economic ties between the target state and the state or states applying them. Selective sanctions focus on *particular* economic ties. Selective sanctions can target three broad categories of economic activities:

- Exports to the target country can be restricted or banned. The purpose of this measure is to deny the target country those things necessary for the smooth functioning of its economy. Such a ban might focus on critical resources (oil, minerals), or on technologies and industrial goods. Even if the target country can turn to other sources or its own local industries to fill the gaps

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[1] Gary Clyde Hufbauer, et al., *Economic Sanctions Reconsidered: History and Current Policy*, Second Edition, Institute for International Economics, Washington, D.C., 1990, p. 2.

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caused by the sanctions, such substitutes for normal trade are likely to be expensive.

- The purchase of goods from the target country can be restricted or banned. This measure can be particularly costly to a country whose economy is heavily dependent on exports to other countries. Lost exports mean lost income. That loss of income, in turn, limits the ability of the country to purchase foreign products.
- Financial flows is a third category of economic activity which can be restricted. A target country with financial assets in foreign banks might have those assets seized and frozen. A ban can be placed on issuing new foreign loans to the country in question. With no access to foreign investment, any new economic activity within the target country would have to be financed out of the pockets of its people alone. If the country is already suffering under export and import sanctions, its income may have fallen to the point where self-financing is impossible.

The Sanctions Record[2]

Economic sanctions by the whole international community started badly when the League of Nations applied them to Italy for its invasion of Abyssinia (Ethiopia) in 1935. The League applied only selective sanctions and did not ban the sale to Italy of such strategic imports as coal, oil or steel.[3] While the sanctions did have an impact on the Italian economy, they did not convince Italy to withdraw from Abyssinia, which it defeated in May 1936. The sale of oil, essential to the Italian economy, was not restricted. This was due to the fear that such a move might lead to a European war and that Italy would be able to secure oil from non-League members. Fairly or unfairly, the Italian case soured the international community's experience with sanctions. Under the authority of the UN, they have been made mandatory only on three occasions: against Rhodesia in 1966 and 1968, against South Africa in 1977, and against Iraq in 1990. They have been applied more frequently by individual states and groups of states but they have never proven to be the decisive instrument they were hoped to be.

Difficulties with Sanctions

The failure of sanctions to be a more powerful instrument is due to several factors.

- Economic interdependence, which makes sanctions possible, cuts both ways. A state imposing sanctions must accept some economic losses. Those industries which will suffer will exert pressure to make the sanctions less rigid or lift them completely.
- Generally, the more states which impose the sanctions, the greater effect they will have. It is often difficult, however, to convince other states to join. Once several states do join in applying sanctions, it is a challenge to maintain a united policy.
- A sanctions policy initiated by just one state or a few, will drive the target state to other suppliers. Even if mandatory sanctions are applied by the United Nations, such sanctions are difficult to enforce. In addition, states which are not UN members must be convinced to follow the UN example.
- A common reaction of people when sanctions are applied to their country is to rally to the support of the government. The people are likely to work together with their government to overcome the burden of sanctions. They can do this by finding local substitutes for the sanctioned goods, doing without, or finding clever ways to buy and sell goods despite sanctions.
- Governments often exaggerate the impact sanctions can have, and set unreasonably high goals for them. When the sanctions do not have their advertised effect, they are viewed as a failure. If they were given clear and more modest goals, sanctions would be seen as more successful.

There are very few non-military means available to put pressure on states, sanctions being one of them. Because of this, and despite sanctions' mixed record of success, they are likely to be a continuing feature of international relations.

FURTHER READING

Margaret Doxey, *International Sanctions in Contemporary Perspective*, MacMillan Press Ltd., London, 1987.

Stephen Godfrey, *Economic Sanctions and South Africa*, Background Paper No. 33, CIIPS, Ottawa, 1990.

David Leyton-Brown, "Economic Sanctions: What they do and how they work," *Peace&Security*, Vol. 1, No. 4, Winter 1986/1987.

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[2] *Economic Sanctions Reconsidered: History and Current Policy* presents over one hundred case studies of the use of economic sanctions.

[3] The Canadian delegate to the League suggested such a ban but was publicly repudiated the Canadian government.